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SUBJECT: SO FAR UNION DISPUTE HAS LITTLE IMPACT ON FORD
OPERATIONS

¶1. SUMMARY: A leadership dispute within what had been the sole union representing all of the workers at Ford Motor Co.,s three production plants in Mexico has, for the most part, had little impact on the car maker,s Mexico operations. The leadership dispute has lead to the formation of a new union mainly representing the nearly 3000 workers at Ford,s Hermosillo plant in the northwestern Mexican state of Sonora. The Hermosillo plant is Ford,s largest and most modern facility in Mexico turning out some 280,000 vehicles per year. The other two plants are in the border state of Chihuahua and the central State of Mexico (Edomex). Thus far Ford,s management has successfully stayed out of the union leadership dispute leaving it up to the GOM,s Secretariat of Labor (STPS) to the resolve the matter. The STPS is very much aware of problems this leadership dispute could cause Ford and is working to resolve the matter collectively before bargaining contract renegotiations begin separately in the company,s three plants in January, February and March of ¶2008. Ford is a major investor in Mexico and its plants create thousands of jobs in its three production facilities and many thousands more in the operations of related supplier companies. A formal meeting to try and work out some sort of arrangement with the two opposing leaders has been set for November 29-30. END SUMMARY

LABOR RELATIONS AT FORD DE MEXICO

¶2. Ford Motor Company is a major investor in Mexico. The company has three large production plants in the county in Hermosillo, Sonora, Chihuahua, Chihuahua and Cuautitlan, Edomex. Ford employs roughly 2800 workers in Hermosillo and around 700 workers in each of its two other production facilities. In addition to these direct hire employees Ford,s plants also generate thousands more jobs across Mexico in related supplier company operations. For the most part Ford has had a cooperative and productive relationship with its workers and the union that represents them with no more than the usual ups and downs of any major corporation operating in Mexico.

¶3. Until July 2007 a single national union, called the &National Workers Union of the Ford Motor Company and the Automobile Industry8 (SINTRAFORD), represented all of the workers at Ford,s three plants in Mexico. SINTRAFORD is an affiliate union of the Confederation of Mexican Workers (CTM), the largest labor federation in Mexico and roughly

equivalent to the AFL-CIO. For at least 17 years a single individual, Secretary General, Juan Jose SOSA Arreola, has headed SINTRAFORD. Sosa is typical of many Mexican labor leaders in that he tended to view his election as the head of SINTRAFORD as a lifetime appointment. Overall Ford has been able to work with Sosa through the years and, according to company officials in both Hermosillo and Cuautitlan, is perfectly willing to continue working with him if the workers choose to maintain him in his leadership position.

TIMES CHANGE BUT UNION LEADER DOES NOT

¶4. Although many union leaders in Mexico occupy de facto lifetime positions they are, nevertheless, required by Mexican law to run for re-election. The time between elections varies from union to union but the standard mandate period for union leaders in Mexico is either three or six years. In the case of SINTRAFORD, its official leader, Juan Jose Sosa had all but completed his sixth term as the organization's Secretary General and in May 2007 had begun arranging a union convention to be held in Hermosillo that was intended to rubber stamp his re-election when he was unexpectedly surprised. In making the arrangements for the participation union representatives from Hermosillo, Sosa learned that almost the entire staff of unionized workers there planned to vote against him in favor of one of their own, Ricardo MARTINEZ Herrera, as SINTRAFORD's Secretary General.

¶5. Rather than risk going into a head to head vote with Martinez Sosa, who had already informed the GOM's labor authorities that SINTRAFORD had called a national convention,

MEXICO 00005935 002 OF 004

apparently changed the location of the election without telling anyone in Hermosillo. As far as the STPS knew the convention took place as scheduled and Sosa was &reelected8 with most of the votes from the workers in Chihuahua and a fair portion of those in Cuautitlan, Edomex. Sosa then presented the results of the rump convention to the STPS but reportedly failed to mention that the bulk of the union's workers were not represented at the event. Shortly thereafter, and based on the documentation presented at the time, Sosa received official GOM recognition of his reelection. This switch and vote maneuver by Sosa is very much a tactic from the CTM's past when the GOM allowed accommodating union leaders to do almost anything they wished.

A NEW FORD UNION IS BORN

¶6. In reaction to Sosa's switch and vote maneuver the workers in Hermosillo held a convention of their own in late May, only shortly after the national convention's originally planned date. During this convention the Hermosillo workers voted to form a separate Ford union with Martinez as the new organization's Secretary General. They also voted to petition the GOM to annul Sosa's election and, failing that, called for Martinez to formally challenge Sosa for leadership of all Ford employees in Mexico via a GOM supervised national union election. The new union formed in Hermosillo was called the &National Progressive Workers Union of the Ford Motor Company and the Automobile Industry.8 Although the workers in Hermosillo decided to form a separate union they unanimously voted to maintain their overall union affiliation with CTM. The new union with Ricardo Martinez as its leader was officially recognized by the GOM on September 20, 2007.

¶7. During a recent conversation with Mission Mexico's Labor Counselor, Martinez explained his reason for forming a new union. According to Martinez, Sosa has lost touch with the workers and, more importantly, seems oblivious to the dire

economic situation and the current reality facing Ford. Ford Motor Co., Martinez said, is struggling to survive in an aggressively competitive global market. In order to do this, he continued, the company has had to adapt and he pointed to the extensive cross training and increased level of outsourced functions presently in place at the Ford plant in Hermosillo. Sosa, Martinez stated, is insisting on negotiating with Ford on the basis of individual workers doing specialized jobs and only those jobs. This inability to adapt to Ford,s current reality, Martinez concluded, would only put the company and all of the workers, jobs at further risk.

18. Within the larger organization of the CTM the formation of the new Progressive Workers Union is producing high levels of ambivalence. At the national level the CTM is aware that Sosa was officially recognized as the leader of the union of all Ford workers throughout Mexico. However, it soon became clear to them that at the state level, the Sonora offices of the CTM sees Ricardo Martinez as the legal representative of the workers at Ford,s Hermosillo plant. The national level of the CTM knows Sosa does not have the support of the workers in Hermosillo but is reluctant to challenge the STPS, recognition of him; fearful that doing so would set bad a precedent undermining the legitimacy of GOM union leadership recognition. The national CTM is also hesitant to try and impose Sosa on its Sonora branch because that office increasingly uses secret ballots to determine union leadership issues. Secret ballots are a relatively new phenomena to the CTM and there are many union leaders in the organization throughout Mexico who are opposed to them.

MANAGEMENT,S VIEW OF THE UNION SITUATION IN HERMOSILLO

19. Ford,s management, at least in the Hermosillo plant, is largely supportive of union activities there. In a conversation with AmConsul Hermosillo,s Labor Watcher and Mission Mexico,s Labor Counselor, Ford management officials there stated, &the union is considered part of the

MEXICO 00005935 003 OF 004

company.8 (Comment: This statement seems to reflect the perception of the company Ricardo Martinez related to Mission Labor Counselor.) The Ford management officials state they are making every effort to accommodate the new local Progressive Union and SINTRAFORD, which are currently both representing the Ford production workers in the plant. At this time management is hosting 5 national CTM representatives and 11 local union representatives in the Hermosillo production facility. Management acknowledges that there has been some disagreement between SINTRAFORD and the local Progressive union that are contending to represent the workers, but management is willing to work with both. The next contract negotiations are to be completed by Feb 2008. According to management the biggest issue being discussed is the power struggle over union representation. Management is refraining from taking sides while making themselves available to representatives from both sides.

HOW FORD VIEWS THE DISPUTE BETWEEN THE TWO UNIONS

110. According to Ford,s Labor Director in the Mexico City area, The company is well aware of ongoing competition between SINTRAFORD and the Progressives. This awareness is based on a number of factors; one of the most prominent of which is the fact that Hermosillo is Ford,s largest plant in Mexico with about 2800 workers whereas Chihuahua and Cuautitlan (Edomex) each have about 700 workers. Ricardo Martinez, the Ford Labor Director said, ultimately petitioned the STPS to have the National Progressive Union recognized as the union for the Hermosillo and the Cuautitlan plant.

Martinez did not attempt to extend his union to Ford,s Chihuahua plant, which is probably recognition of where Sosa has his stronghold

¶11. The Labor Director opined that if a vote were held at each of the plants, that Martinez would get near 100 percent support in Hermosillo, Sosa would get near 100 in Chihuahua and, Cuautitlan would be about 70/30 in favor of Sosa. (Comment: According to various media reports there appears to be a consensus that an actual vote in Cuautitlan would 70/30 in Martinez, favor.) Ford is well aware that Martinez has the support of the workers in Hermosillo, as well as the governor and the Sonora CTM. Ford knows that under Mexican law it is possible to have separate unions in different plants, but the 50 1 rule applies for voting on union representation. Assuming that the Labor Director,s assessment of the situation Cuautitlan is correct, this would mean that even if 30 percent of the workers there support Martinez, SINTAFORD would still be the bargaining unit.

¶12. To date there has only been stoppage for one shift nationwide so far - in Hermosillo. The Labor Director described it as Martinez, way of saying that he controls the workers in Hermosillo no matter who the STPS recognized as the leader of Ford,s unionized workers in Mexico. The head of the national CTM, Joaquin Gamboa Pascoa, has refused to meet with Ford on the leadership dispute issue (see para 8 above). Consequently, Ford has been working through the STPS for a resolution of the union leadership dispute.

GOM EFFORTS TO RESOLVE THE LEADERSHIP QUESTION

¶13. The GOM,s labor authorities, STPS, have scheduled an audience on Nov 29-30 hear the case. At that time the two competing unions will meet with STPS officials and try to work out settlement. The most likely outcome of the audience will be an administrative recount of all union votes (including Hermosillo this time) to determine if a single union will represent all Ford workers in Mexico. This recount would be supervised by the GOM.

¶14. Either party could file an Amparo (roughly equivalent to an injunction) if they don,t like the outcome of the audience or a possible recount. This worries both the STPS and Ford because the yearly collective contract negotiations are scheduled for January in Chihuahua, February in Hermosillo, and March in Cuautitlan. Ford by law has to negotiate with the current legal union leader, and if the issue isn,t solved by then, there,s a chance that workers

MEXICO 00005935 004 OF 004

in Hermosillo won,t abide by the contract. In a recent meeting between Mission Mexico,s Labor Counselor and high level STPS official it was made clear that the GOM is fully aware of the consequences of protracted union leadership dispute at Ford and is working hard to make sure such a fight does not happen.

COMMENT

¶15. The STPS is very much aware of problems this leadership dispute could cause Ford and is working to resolve the matter before separate collective bargaining contract renegotiations begin in the company,s three plants in during the first three months of 2008. Ford is a major investor in Mexico and its plants create thousands of jobs in its three production facilities and many thousands more in the operations of related supplier companies. The STPS will not quietly accept a situation that might put these jobs at risk. One way or the other the GOM will do everything it can ensure that the November 29-30 meeting between the two competing unions produces some positive results.

¶16. This message was jointly drafted by Embassy Mexico City

and AmConsul Hermosillo.

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